

**BLIND CHILDREN'S LEARNING CENTER
OF ORANGE COUNTY, INC.**

Financial Statements

Year Ended June 30, 2013

**BLIND CHILDREN'S LEARNING CENTER
OF ORANGE COUNTY, INC.**
Financial Statements
Year Ended June 30, 2013
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JGD Davidson & Company

— CERTIFIED PUBLIC ACCOUNTANCY & CONSULTING —

James G. Davidson, Certified Public Accountant

Katherine R. Davidson, Director of Client Administration
Nancy L. Franks, Administrative Assistant

Jennifer L. Williams, Staff Accountant
Sun Ju Yoon, Staff Accountant, CPA Candidate

Member of American Institute of Certified Public Accountants

Member of California Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Blind Children's Learning Center of Orange County, Inc.
Santa Ana, California

We have audited the accompanying financial statements of Blind Children's Learning Center of Orange County, Inc. (a California non-profit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the corporation's June 30, 2012, financial statements which were audited by other auditors whose report dated November 27, 2012, expressed an unqualified (unmodified) opinion on those financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blind Children's Learning Center of Orange County, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink, appearing to read "James G. Davidson", with a large, stylized flourish extending to the right.

James G. Davidson
Certified Public Accountant
Westminster, California
October 23, 2013

BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY, INC.

Statement of Financial Position

June 30, 2013

(with summarized totals for June 30, 2012)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Totals</u> June 30, 2013	<u>Totals</u> June 30, 2012
Current Assets:					
Cash and cash equivalents	\$ 834,748	\$ 16,956	-	\$ 851,704	\$ 693,628
Investments in certificates of deposit, marketable securities, and other	513,070	-	-	513,070	549,429
Accounts receivable	172,247	-	-	172,247	135,316
Employee loans receivable	700	-	-	700	-
Prepaid expenses	9,063	-	-	9,063	15,377
Deferred charges	6,527	-	-	6,527	3,820
Deposits	<u>9,158</u>	<u>-</u>	<u>-</u>	<u>9,158</u>	<u>3,076</u>
 Total Current Assets	 1,545,513	 16,956	 -	 1,562,469	 1,400,646
 Property and Equipment:					
Leasehold improvements	399,431	-	-	399,431	395,949
Furniture, equipment, and software	282,365	-	-	282,365	268,953
Vehicles	<u>17,200</u>	<u>-</u>	<u>-</u>	<u>17,200</u>	<u>17,200</u>
	698,996	-	-	698,996	682,102
 Less accumulated depreciation and amortization	 <u>(564,709)</u>	 <u>-</u>	 <u>-</u>	 <u>(564,709)</u>	 <u>(541,503)</u>
 Net Property and Equipment	 134,287	 -	 -	 134,287	 140,599
 Total Assets	 <u>\$ 1,679,800</u>	 <u>\$ 16,956</u>	 <u>\$ -</u>	 <u>\$ 1,696,756</u>	 <u>\$ 1,541,245</u>

See independent auditor's report and notes to financial statements.

BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY, INC.
Statement of Financial Position (continued)
June 30, 2013
(with summarized totals for June 30, 2012)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Totals</u> June 30, 2013	<u>Totals</u> June 30, 2012
Current Liabilities:					
Accounts payable	\$ 37,667	-	-	\$ 37,667	\$ 31,357
Pension plan payable	3,889	-	-	3,889	2,977
Accrued rent	18,150	-	-	18,150	18,150
Accrued payroll and payroll taxes	67,186	-	-	67,186	65,567
Accrued vacations	41,147	-	-	41,147	48,407
Deferred revenue	11,696	-	-	11,696	22,088
Other current liabilities	16,067	-	-	16,067	114
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Current Liabilities	195,802	-	-	195,802	188,660
Total Liabilities	195,802	-	-	195,802	188,660
Net Assets:					
Unrestricted	1,483,998	-	-	1,483,998	1,345,646
Temporarily restricted	-	\$ 16,956	-	16,956	6,939
Permanently restricted	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Net Assets	1,483,998	16,956	-	1,500,954	1,352,585
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 1,679,800</u>	<u>\$ 16,956</u>	<u>\$ -</u>	<u>\$ 1,696,756</u>	<u>\$ 1,541,245</u>

See independent auditor's report and notes to financial statements.

BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY, INC.

Statement of Activities

Year Ended June 30, 2013

(with summarized totals for the year ended June 30, 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals June 30, 2013</u>	<u>Totals June 30, 2012</u>
Revenues and Other Support:					
Program fees	\$ 1,292,269	-	-	\$ 1,292,269	\$ 1,354,414
Individual and group donors	277,270	-	-	277,270	370,885
Commercial organization donors	72,527	-	-	72,527	108,689
Foundation donors	329,194	-	-	329,194	315,475
Legacies and bequests	290,188	-	-	290,188	56,061
In-kind contributions	13,540	-	-	13,540	-
United Way	5,218	-	-	5,218	6,876
Event revenue and support	393,220	-	-	393,220	181,855
Investment revenue	3,293	-	-	3,293	9,895
Other revenue	7,053	-	-	7,053	4,220
Total Revenues and Other Support Before Restrictions	<u>2,683,772</u>	<u>-</u>	<u>-</u>	<u>2,683,772</u>	<u>2,408,370</u>
Designated by Board of Directors for Facility Improvements	(50,000)	\$ 50,000	-	-	-
Net Assets Released from Restrictions	<u>6,939</u>	<u>(6,939)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Support After Restrictions	2,640,711	43,061	-	2,683,772	2,408,370
Expenses:					
Program services	2,121,341	-	-	2,121,341	2,336,901
Supporting services:					
Management and general	187,184	33,044	-	220,228	175,534
Fundraising	193,834	-	-	193,834	213,931
Total Expenses	<u>2,502,359</u>	<u>33,044</u>	<u>-</u>	<u>2,535,403</u>	<u>2,726,366</u>
Increase (Decrease) in Net Assets	138,352	10,017	-	148,369	(317,996)
Net Assets, Beginning of Year	1,345,646	6,939	-	1,352,585	1,670,581
Net Assets, End of Year	<u>\$ 1,483,998</u>	<u>\$ 16,956</u>	<u>\$ -</u>	<u>\$ 1,500,954</u>	<u>\$ 1,352,585</u>

See independent auditor's report and notes to financial statements.

**BLIND CHILDREN'S LEARNING CENTER
OF ORANGE COUNTY, INC.**
Statement of Functional Expenses
Year Ended June 30, 2013
(with summarized totals for the year ended June 30, 2012)

	Program Services	Supporting Services		Totals June 30, 2013	Totals June 30, 2012
	Early Intervention and Education	Management and General	Fundraising		
Salaries	\$ 1,302,261	\$ 104,780	\$ 89,811	\$ 1,496,852	\$ 1,619,838
Payroll taxes	118,678	9,549	8,185	136,412	141,844
Employee benefits	134,711	10,839	9,290	154,840	172,242
Total salaries and related expenses	1,555,650	125,168	107,286	1,788,104	1,933,924
Advertising	-	-	-	-	21,066
Auto and travel	70,519	1,855	1,856	74,230	82,994
Bad debts	-	-	-	-	5,734
Depreciation and amortization	31,958	5,640	-	37,598	50,589
Education supplies	10,466	-	-	10,466	14,802
Events	78,125	-	-	78,125	36,007
Facility leases	105,773	4,800	-	110,573	140,888
Field trips	2,038	-	-	2,038	2,167
Food and consumables	15,384	-	-	15,384	14,518
Insurance	14,820	780	-	15,600	12,470
Meetings	1,983	600	-	2,583	1,119
Office expense	6,844	1,147	12,951	20,942	14,081
Peer buddies and mentoring	137	-	-	137	16,520
Professional services	115,539	19,816	34,650	170,005	201,605
Promotion	-	-	37,091	37,091	-
Repairs and maintenance	30,851	37,232	-	68,083	72,309
Staff development	14,082	1,000	-	15,082	11,815
Substitute teachers	25,668	-	-	25,668	28,217
Taxes and licenses	-	2,478	-	2,478	2,759
Telephone	5,994	1,057	-	7,051	6,319
Utilities	18,486	3,262	-	21,748	22,811
Volunteer services	14,075	-	-	14,075	17,064
Other operating expenses	2,949	15,393	-	18,342	16,588
Total Expenses	\$ 2,121,341	\$ 220,228	\$ 193,834	\$ 2,535,403	\$ 2,726,366

See independent auditor's report and notes to financial statements.

**BLIND CHILDREN'S
LEARNING CENTER OF ORANGE COUNTY, INC.**
Statement of Cash Flows
Year Ended June 30, 2013
(with summarized totals for the year ended June 30, 2012)

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Cash Flows from Operating Activities:		
Increase (decrease) in net assets	\$ 148,369	\$ (317,996)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	37,598	50,589
Unrealized (gain) or loss on investments	(1,085)	269
Loss on disposal of equipment and furniture	4,268	5,748
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(36,931)	62,543
(Increase) decrease in prepaid expenses, deferred charges, and deposits	(2,475)	(8,185)
Increase (decrease) in accounts payable	6,310	(42,691)
Increase (decrease) in pension payable and other accrued expenses	(4,729)	(18,119)
Increase (decrease) in deferred revenue and other current liabilities	<u>5,561</u>	<u>(3,925)</u>
 Total adjustments	 <u>8,517</u>	 <u>46,229</u>
 Net Cash Provided by (Used for) Operating Activities	 <u>156,886</u>	 <u>(271,767)</u>
 Cash Flows from Investing Activities:		
Purchases of investments	-	(3,153)
Reclassification of money market account from an investment to a cash equivalent	37,445	-
Payments for purchases of leasehold improvements, equipment, and furniture	<u>(35,555)</u>	<u>(16,290)</u>
 Net Cash Provided by (Used for) Investing Activities	 <u>1,890</u>	 <u>(19,443)</u>
 Cash Flows from Financing Activities:		
Loans made to employees	(3,940)	-
Loan repayments received from employees	<u>3,240</u>	<u>-</u>
 Net Cash Used for Financing Activities	 <u>(700)</u>	 <u>-</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 <u>158,076</u>	 <u>(291,210)</u>
 Cash and Cash Equivalents, Beginning of Year	 <u>693,628</u>	 <u>984,838</u>
 Cash and Cash Equivalents, End of Year	 <u>\$ 851,704</u>	 <u>\$ 693,628</u>

See independent auditor's report and notes to financial statements.

**BLIND CHILDREN'S LEARNING CENTER
OF ORANGE COUNTY, INC.**

Notes to Financial Statements

Year Ended June 30, 2013

NOTE 1 – NATURE OF ORGANIZATION

The Blind Children's Learning Center of Orange County, Inc. (the "Center") was incorporated in 1962 in California as a not-for-profit corporation. The Center has been classified as a publicly supported organization, which is not a private foundation, under Section 509(a)(1) and 170(b)(1)(A)(vi) of the Code.

The mission of the Center is to provide early intervention, education, and service for blind, visually impaired, and deaf-blind children and their families in preparation to lead independent lives. The primary sources of revenue for the Center are program fees and contributions.

The Center provides the following programs:

Early Childhood Center is an on-site preschool, which serves blind, visually impaired and deaf-blind children, ages six months to six years. Parents are invited to actively participate in this transition from home to school. This state accredited program offers individualized education for students in a unique, reverse-mainstream setting where fully-sighted children are incorporated into the program to act as peer models. Children who need extra assistance receive occupational therapy, speech therapy, and orientation and mobility training.

Infant Family Focus serves blind, visually impaired, and deaf-blind infants (birth to three years old) who are too fragile to attend the on-site preschool program. Infant Development Specialists support parents who are adjusting to an infant with special needs by providing encouragement, education, bonding techniques, and training during difficult months following their child's diagnosis of blindness.

Youth Outreach program provides specialized instruction for blind and visually impaired children who are attending public school (kindergarten through high school). To ensure success at this crucial stage, credentialed teachers of the visually impaired, visit local elementary and high schools to assist students, using Braille and other adapted materials in the classroom.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC Topic 958-205, the Center is required to report information regarding its financial position and activities according to three classes of net assets: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

- a) *Unrestricted net assets* are those currently available for use in the operations of the Corporation under the direction of the Board.
- b) *Temporarily restricted net assets* are those stipulated by donors for specific operating purposes or for the acquisition of property and equipment, or those not currently available for use until commitments regarding their use have been fulfilled.

**BLIND CHILDREN'S LEARNING CENTER
OF ORANGE COUNTY, INC.**
Notes to Financial Statements
Year Ended June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- c) *Permanently restricted net assets* are those stipulated by donors that the corpus be invested in perpetuity and only the income be made available for the program operations in accordance with donor restrictions.

Cash and Cash Equivalents - The Center defines cash equivalents as cash and checks available for deposit, and cash in checking accounts, along with all highly liquid investments with original maturities of three months or less. These cash and cash equivalent accounts may, at times, exceed federally insured limits; however, the Center has not experienced any losses on these accounts.

Investments - Investments consist of certificates of deposit with terms greater than three months, equity securities, and an interest in a real estate limited partnership. Investments, other than certificates of deposit, are reported at fair market value. Realized and unrealized gains and losses are included as unrestricted revenue in the statement of activities. Donated investments are recorded at fair value on the date of donation and thereafter carried in accordance with the above provisions.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Leasehold Improvements, Equipment, Furniture, and Vehicles - These are recorded at historical cost or fair market value at the date of donation, if donated. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire depreciable items, are reported as restricted support. Absent explicit donor stipulations about how these long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed into service. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 20 years. The Center capitalizes all assets acquired through purchase or donation with a cost or fair value of greater than \$500, which is considered tangible personal or real property.

Donated Materials and Services - If materials or other noncash contributions are received through donation, their value is reflected in the accompanying statements at their estimated fair market value at the date of receipt. Contribution of services are recognized if the services received, create or enhance nonfinancial assets, require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements as there is no objective basis of deriving their value.

Restricted and Unrestricted Revenue and Support - In accordance with FASB ASC Topic 958-605, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

**BLIND CHILDREN'S LEARNING CENTER
OF ORANGE COUNTY, INC.**

Notes to Financial Statements

Year Ended June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A donor-imposed restriction specifies a use that is more specific than the broad limits associated with the nature of the Corporation. A donor-imposed condition specifies a future and uncertain event whose occurrence or failure to occur gives the donor a right to the return of the assets provided. Amounts received (or promised) that are conditioned upon such future and uncertain events are recorded as a liability until the condition that entitles the Corporation to keep the funds is met. When and if that event occurs, the amounts received are recognized as a contribution at that time.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Grants represent contributions if the resource provider receives no value in exchange for the assets transferred, or if the value received is incidental to the potential public benefit to be provided by using the assets. Grants represent an exchange transaction if the potential public benefit to be derived is secondary to the potential benefit received by the resource provider.

Contributions are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Receipts subsequent to the financial statement date, from contributions previously subject to conditions that have been substantially met as of the financial statement date, and grants not considered exchange transactions in which conditions have been substantially met as of the financial statement date, are considered receivables and earned revenue as of that date.

Expense Allocation - The costs of providing services and other Center activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Income Taxes - The Corporation is a tax-exempt corporation ("other than private foundation") under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, the Corporation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption.

ASC topic 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on de-recognition, classification, interest and penalties, disclosure, and transition. Management believes that no such uncertain tax positions existed for the Corporation, as of June 30, 2013, or as of June 30, 2012. The tax years of 2010 to 2012 remain subject to examination by taxing authorities.

**BLIND CHILDREN'S LEARNING CENTER
OF ORANGE COUNTY, INC.**

Notes to Financial Statements
Year Ended June 30, 2013

NOTE 3 – CASH

Cash and cash equivalents consisted of demand deposits and time deposits as of June 30, 2013, and as of June 30, 2012.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable consisted of, as of the following year-end dates:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
School districts	\$ 144,439	\$ 90,599
Regional centers	23,269	40,712
Other	4,539	4,005
	<u>\$ 172,247</u>	<u>\$ 135,316</u>

These receivables are deemed fully collectible, therefore no allowance for uncollectible accounts was provided for, as of June 30, 2013, or as of June 30, 2012.

NOTE 5 – INVESTMENTS

Investments consisted of, as of the following year-end dates:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Certificates of deposits with maturity dates of longer than one year	\$ 495,583	\$ 493,908
Equity securities	5,503	4,418
Limited partnership	11,984	11,984
Money market accounts	-	39,119
	<u>\$ 513,070</u>	<u>\$ 549,429</u>

Investment income consisted of, for the years ended:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Interest and dividends	\$ 2,208	\$ 10,164
Unrealized gain or (loss)	1,085	(269)
	<u>\$ 3,293</u>	<u>\$ 9,895</u>

NOTE 6 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

No payments were made, or required to be made, during the years-ended June 30, 2013, or June 30, 2012, for interest or income taxes.

**BLIND CHILDREN'S LEARNING CENTER
OF ORANGE COUNTY, INC.**

Notes to Financial Statements
Year Ended June 30, 2013

NOTE 7 – FAIR VALUE MEASUREMENTS

The Center has adopted FASB ASC 820-10, *Fair Value Measurements*. FASB ASC 820-10, defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants at the measurement date. It also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that maybe used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities;

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The table below presents the level within the fair value hierarchy at which investments are measured at June 30, 2013. Certificates of deposit do not include balances of money market accounts. Money market accounts have been reclassified from investments to cash equivalents for the year ended June 30, 2013.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observ- able Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2013
Investments in Certificates of Deposit	\$ 495,583	-	-	\$ 495,583
Investments in Equity Securities	5,503	-	-	5,503
Investment in Limited partnership	<u>-</u>	<u>-</u>	<u>\$ 11,984</u>	<u>11,984</u>
Total	<u>\$ 501,086</u>	<u>\$ -</u>	<u>\$ 11,984</u>	<u>\$ 513,070</u>

**BLIND CHILDREN'S LEARNING CENTER
OF ORANGE COUNTY, INC.**

Notes to Financial Statements

Year Ended June 30, 2013

NOTE 7 – FAIR VALUE MEASUREMENTS (continued)

The table below presents the level within the fair value hierarchy at which investments are measured at June 30, 2012.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observ- able Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2012
Investments in Certificates of Deposit and Money market Accounts	\$ 533,027	-	-	\$ 533,027
Investments in Equity Securities	4,418	-	-	4,418
Investment in Limited partnership	-	-	\$ 11,984	11,984
Total	<u>\$ 537,445</u>	<u>\$ -</u>	<u>\$ 11,984</u>	<u>\$ 549,429</u>

NOTE 8 – OPERATING LEASES

The Center is committed under non-cancelable lease agreements for the main facility and for two mobile modular buildings. In most cases, management expects that, in the normal course of business, leases will be renewed or replaced by other leases. All current leases will expire before the end of August 2019.

Future minimum payments under non-cancelable operating leases are:

	School Facility	Modular Office Buildings	Total
Year Ending June 30, 2014	\$ 71,100	\$ 30,700	\$ 101,800
Year Ending June 30, 2015	72,900	30,000	102,900
Year Ending June 30, 2016	74,700	30,000	104,700
Year Ending June 30, 2017	76,500	30,000	106,500
Year Ending June 30, 2018	78,300	30,000	108,300
Thereafter	93,500	32,500	126,000
	<u>\$ 467,000</u>	<u>\$ 183,000</u>	<u>\$ 650,200</u>

Rent expenses under cancelable and non-cancelable lease contracts were \$110,573 for the year-ended June 30, 2013, and \$140,888 for the year-ended June 30, 2012.

**BLIND CHILDREN'S LEARNING CENTER
OF ORANGE COUNTY, INC.**

Notes to Financial Statements
Year Ended June 30, 2013

NOTE 9 – CONCENTRATIONS OF RISK

As of June 30, 2013, accounts receivable consisted of twenty accounts, totaling \$172,247. Among those accounts, four, totaled \$148,481, constituting 86% of the total. Each of the four exceeded 10% of the total accounts receivable balance, but represented payments due from government entities whereby services to be provided were based on contractual arrangements. No allowance for uncollectible accounts has been established, as all amounts due, were subsequently received.

As of June 30, 2012, accounts receivable consisted of twenty-five accounts, totaling \$135,316. Among those accounts, four, totaled \$92,846, constituting 69% of the total. Each of the four exceeded 10% of the total accounts receivable balance, but represented payments due from government entities whereby services to be provided were based on contractual arrangements. No allowance for uncollectible accounts has been established, as all amounts due, were subsequently received.

NOTE 10 – ACCRUED VACATION

The Center provides vacation compensation benefits under a personnel policy adopted in 2002 and revised in 2010. Among the significant provisions of the policy are: (1) Vacation accrues on a daily basis for regular full-time employees (those employed 32 hours or more per week) once the employee has successfully completed the probationary period. (2) Vacation days are accrued based on the following vested time of employment for each full time employee that is not in a position as a director:

Vested years 1 through 5 receives 10 days
Vested years 6 through 9 receives 15 days
Vested years 10 through 19 receives 20 days
Vested years 20 and beyond receives 25 days

(3) Directors receive five days vacation in addition to the schedule of vested time shown above. (4) Vacation time will not accrue during any leave of absence. (5) Upon termination of employment for any reason, employees are paid for all accrued unused vacation hours.

Accrued vacation expense was \$48,407 and \$41,147 as of June 30, 2013, and June 30, 2012, respectively. These amounts are included in current liabilities as of those dates.

NOTE 11 – PRIOR YEAR SUMMARIZED COMPARATIVE DATA

The financial statements include, certain prior-year summarized, comparative, information in total, but does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

**BLIND CHILDREN'S LEARNING CENTER
OF ORANGE COUNTY, INC.**

Notes to Financial Statements

Year Ended June 30, 2013

NOTE 12 – NET ASSETS

Net assets consisted of, as of the following year-end dates

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Unrestricted net assets:		
Undesignated	\$ 849,711	\$ 705,047
Board designated reserve	500,000	500,000
Net investment in property and equipment	<u>134,287</u>	<u>140,599</u>
Total unrestricted net assets	1,483,998	1,345,646
Temporarily restricted net assets:	<u>16,956</u>	<u>6,939</u>
Total net assets	<u>\$ 1,500,954</u>	<u>\$ 1,352,585</u>

NOTE 13 – SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 23, 2013, the date which the financial statements were available to be issued.